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**OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS**



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Comptroller

Internal Audit Section

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January 21, 2009

Darcell Braylock, Executive Director
Skinker-DeBaliviere Community Council
6008 Kingsbury
St. Louis, MO 63112

RE: Fiscal Monitoring Review of Skinker-DeBaliviere Community Council
(Project #2009-CDA19)

Dear Ms. Braylock:

Enclosed is a report of our fiscal monitoring review of the Skinker-DeBaliviere Community Council, a not-for-profit organization, Community Development Block Grant, for the period January 1, 2008 through June 30, 2008. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of the Skinker-DeBaliviere Community Council. Our fieldwork was completed on August 20, 2008.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all federal grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

A handwritten signature in black ink that reads "Kenneth M. Stone".

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Lorna Alexander, Special Assistant for Development, CDA
Jill Claybour, Acting Executive Director, CDA



CITY OF ST. LOUIS

***COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)***

***SKINKER DEBALIVIERE COMMUNITY COUNCIL
CONTRACT #08-31-40
CFDA #14.218***

***FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH JUNE 30, 2008***

PROJECT #2009-CDA19

DATE ISSUED: JANUARY 21, 2009

***Prepared by:
The Internal Audit Section***



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
SKINKER-DEBALIVIERE COMMUNITY COUNCIL, CBDO
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH JUNE 30, 2008**

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INTRODUCTION

Background

Contract Name: Skinker-DeBaliviere Community Council,
Community Based Development Organization (CBDO)

Contract Number: 08-31-40

CFDA Number: 14.218

Contract Period: January 1, 2008 through December 31, 2008

Contract Amount: \$52,000

This contract provided Community Development Block Grant (CDBG) funds to Skinker-DeBaliviere Community Council (Agency) for assistance in further development of housing in the St. Louis area by providing the funds necessary to acquire land and plan for projects associated with these contracts.

Purpose

The purpose was to determine Agency's compliance with federal (including OMB Circular A-133), state and local CDBG requirements for the period January 1, 2008 through June 30, 2008, and make recommendations for improvements.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by CDA, evidence tested supporting the reports the Agency submitted to CDA and other procedures performed as considered necessary. Our fieldwork was completed on August 20, 2008.

Exit Conference

The Agency was offered the opportunity for an exit conference on December 30, 2008, but the Agency declined.

Management Responses

Management's responses to the observations and recommendations noted in the report were received on January 9, 2009, and have been incorporated into the report.

CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal (including OMB Circular A-133), state and local CDBG requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report dated September 9, 2008, contained no observations.

A-133 Status

According to a letter received from the Agency, it did not expend \$500,000 or more in federal funds in its fiscal year ended December 31, 2007, and was not required to have an A-133 audit report.

Summary of Current Observations

The recommendations are made for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDBG requirements.

1. Opportunity for two duly authorized signatures on checks
2. Opportunity to track use and accrual of vacation and sick leave
3. Opportunity to submit monthly financial statements
4. Opportunity to report CDBG receipts correctly

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

1. Opportunity for Two Duly Authorized Signatures on Checks

According to Section 2.2, Internal Control requirements of the CDA Operating Agency Fiscal Procedures Manual state that two duly authorized individuals must sign all checks.

The Agency's checks contained only one authorized signature. In addition to the increased risk of the potential for the misappropriation of CDA funds, non-compliance with the CDA CDBG requirements may result in termination of the contract agreement with CDA.

Recommendation

It is recommended that the Agency follow the requirements of the CDA Operating Agency's Fiscal Procedures and have two dually authorized individual sign all checks.

Management's Response

Payroll Checks- payroll checks are signed electronically. I was informed at the last CDA training meeting that electronic checks do not required two signatures.

General Account- I have made arrangements with the bank and accounting firm for two signers on checks.

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

2. Opportunity to Track Use and Accrual of Vacation and Sick Leave

A part of effective internal controls is the documentation of employee sick leave and vacation that has been earned and taken.

Timesheets and pay stubs were sampled for the months of March and May 2008. The Agency is not documenting the accrual and use of its employees' vacation and sick leave, a proportion of which is paid through the CDBG funds. The Agency's executive director stated that the Agency they did not currently have a formal procedure to document the accrual and use of vacation and sick leave.

The lack of documentation for paid leave is an internal control weakness and may result in employees being paid for vacation and sick leave not earned. This may also result in termination of the contract agreement with CDA.

Recommendation

It is recommended that the Agency record the accrual and use of its employees' sick leave and vacation time.

Management's Response

The accounting firm has a record of employees, paid through CDA funding, vacation and sick time. In addition, time sheets are kept with the office assistant tracking vacation and sick time. Arrangements with the accounting firm, as well as payroll summaries will track and show vacation and sick leave time. Comp time will be tracked by each individual employee and shared with the office assistant and executive committee.

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

3. Opportunity to Submit Monthly Financial Statements

Page 3 of the contract between the Agency and CDA states, "...the Operating Agency shall be required to submit monthly financial statements as specified in the Operating Agency Fiscal Procedures Manual, no later than the 10th calendar day of each month to the Comptroller's Office- Federal Grants Section...."

None of the required monthly financial statements have been submitted for 2008.

Non-compliance with the CDA regulations or OMB Circular A-133 reporting compliance requirements may result in termination of the contract agreement with CDA.

Recommendation

It is recommended that the Agency submit its monthly financial statements to the Agency by the 10th calendar day of the month.

Management's Response

Monthly financial statements have been submitted through the month of September 2008. The financial statements for the months October, November, and December will be submitted no later than January 16, 2009. In the future monthly financial statements will be submitted no later than the 10th of each month.

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

4. Opportunity to Report CDBG Funds Received Correctly

Section 2.2 of the CDA Operating Agency Fiscal Procedures Manual states, "Internal controls are defined as ...keeping proper records that ...create accountability in the organization's financial systems and safeguard its cash, property and other assets. Internal controls are useful management tools to ensure that resources are used for authorized purposes; protected against waste, mismanagement or loss; and reliable information on the source and uses of agency resources are secured, up-to-date and disclosed in appropriate records and reports."

The Agency's financial statements did not correctly report the CDBG funds received for the period of the review. CDBG Funds are provided to the Agency through reimbursement basis in which recipients bill grantors for costs as incurred.

The Agency should only report grant awards received or earned if it has an accrual basis of accounting. The Agency reported \$53, 846 as the CDBG receipts in its financial statements for the period January 1 through June 30, 2008. The Agency, however, requested and received reimbursements only for \$16,442 of the CDBG funds during this period and, as such, should have reported the same in its financial statements.

Based on the incorrect financial statement, the users of the financial statements cannot determine whether the resources are being used for authorized purposes only and protected against waste, mismanagement or loss.

Recommendation

It is recommended that the Agency revise its financial statements to report the CDBG receipts when received or earned.

Management's Response

These corrections have been made with the organization's accounting firm. The organization will keep better track of CDA funding through the implementation of electronic monthly financial statement monitoring.